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January 5, 2005

Mr. Pat Miller
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Counce Natural Gas Company
Depreciation Rates to use for Future Plant Additions
Order Approving Amended Petition To Increase Rates and Revised Rules and
Regulations; Cause No. 04-00037

Dear Mr. Miller:

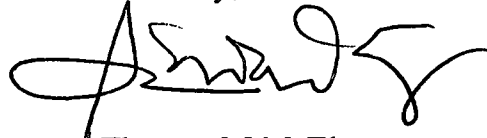
Enclosed please find an original and thirteen copies of Counce Natural Gas Company's response to the appropriate depreciation rates to use for future plant additions. The schedule reports the proposed service life and depreciation rate applied to each class of asset categorized by FERC account number using the straight-line method of depreciation. The service lives were based on managements experience, Internal Revenue Service regulations, and the service lives used by other utility companies.

In Judge Collier's decision, Counce's proposal to file a depreciation study by December 31, 2004 was approved. The study was prepared by Stephen Swetz, CPA. The letter was prepared and a copy forwarded to Thomas M. McElroy. A copy of the letter is attached. Based upon the letter, I believed that the Depreciation Study had been filed along with the required 13 copies. This week I learned that the Depreciation Study had not been filed. I am requesting that the Depreciation Study be accepted, though filed late, as timely filed in as much as it was prepared 22 days before the deadline.

Please contact me if I can furnish additional information in regard to the filing of the Depreciation Study.

If all is not in order, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom McElroy', with a stylized flourish at the end.

Thomas M. McElroy

Inl

c: Mike Horton



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

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Wanda S. Holley, CPA
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Kimberly S. Caskey, CPA
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December 9, 2004

Mr. William H. Novak
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

**RE: Counce Natural Gas Company
Depreciation Rates to Use for Future Plant Additions
Docket No. 04-00037 – Order Approving Amended Petition to Increase Rates
and Revised Rules and Regulations**

Dear Mr. Novak:

Enclosed please find an original and 13 copies of Counce Natural Gas Company's response to the appropriate depreciation rates to use for future plant additions. The schedule reports the proposed service life and depreciation rate applied to each class of asset categorized by FERC account number using the straight-line method of depreciation. The service lives are based on management's experience, Internal Revenue Service regulations, and the service lives used by other utility companies.

If there are additional questions, please feel free to call me at 662-494-5732 or email me at sswetz@wwscca.com.

Sincerely,

WATKINS, WARD AND STAFFORD, PLLC

Stephen Swetz, CPA

Enclosure

**COUNCE NATURAL GAS COMPANY
DEPRECIATION RATE SCHEDULE**

Description	FERC Account Number	Service Life	Rate Applied
Distribution Plant			
Land and land rights	374	N/A	0 00%
Structures and improvements	375	40	2 50%
Mains	376	20	5 00%
Compressor station equipment	377	20	5 00%
Measuring & regulating station equipment - general	378	20	5 00%
Measuring & regulating station equipment - city gate check stations	379	20	5 00%
Services	380	10	10 00%
Meters	381	10	10 00%
Meter installations	382	10	10 00%
House regulators	383	20	5 00%
House regulators installations	384	20	5 00%
Industrial measuring and regulating station equipment	385	20	5 00%
Other property on customers' premises	386	20	5 00%
General Plant			
Office furniture and equipment	391	5	20 00%
Transportation equipment	392	5	20 00%
Tools, shop, and garage equipment	394	5	20 00%
Power operated equipment	396	5	20 00%
Communication equipment	397	5	20 00%
Miscellaneous equipment	398	5	20 00%